



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE June 20, 2005

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Auditor of State David A. Vaudt today released an audit report on Pocahontas County, Iowa.

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$11,041,385 for the year ended June 30, 2004, which included \$700,079 in tax credits from the state. The County forwarded \$6,933,939 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,107,446 of the local tax revenue to finance County operations. Other revenues included charges for service of \$680,602, operating grants, contributions and restricted interest of \$3,435,776, capital grants, contributions and restricted interest of \$2,621,000, local option sales tax of \$161,200, unrestricted investment earnings of \$249,419 and other general revenues of \$161,205.

Expenses for County operations totaled \$7,256,998. Expenses included \$1,838,885 for roads and transportation, \$1,182,457 for administration and \$1,048,089 for physical health and social services.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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POCAHONTAS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004

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Pocahontas County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ralph E. Christiansen	Board of Supervisors	Jan 2005
Jack Dewolf	Board of Supervisors	Jan 2005
C. Wilbur Ekstrand	Board of Supervisors	Jan 2005
Paul R. Beneke	Board of Supervisors	Jan 2007
Vincent Triggs	Board of Supervisors	Jan 2007
Margene A. Bunda	County Auditor	Jan 2005
Shirlee E. Dense	County Treasurer	Jan 2007
Michael P. Bollard	County Recorder	Jan 2007
Robert Lampe	County Sheriff	Jan 2005
Ann E. Beneke	County Attorney	Jan 2007
Brian H. De Wall	County Assessor	Jan 2010

Pocahontas County



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Independent Auditor's Report

To the Officials of Pocahontas County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Pocahontas County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The County did not determine the amount of materials and supplies inventory pertaining to the Secondary Roads Fund, a major governmental fund, at July 1, 2003, although required by U.S. generally accepted accounting principles. As a result, the net assets of the governmental activities and the fund balance of the Secondary Roads Fund are understated at the beginning of the year, and the expenses of the governmental activities and the expenditures of the Secondary Roads Fund are understated for the year ended June 30, 2004 by the same amount. These amounts are not reasonably determinable.

In our opinion, except for the effects of the omission of the materials and supplies inventory for the Secondary Roads Fund at July 1, 2003 on the governmental activities and the Secondary Roads Fund, as described above, the financial statements referred to above present fairly, in all material respects, the changes in financial position of the governmental activities and the Secondary Roads Fund of Pocahontas County for the year ended June 30, 2004 in conformity with U.S. general accepted accounting principles.

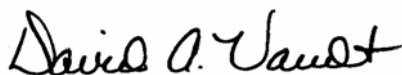
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County as of June 30, 2004, and the respective changes in financial position of the General Fund, Mental Health Fund, Rural Services Fund, Drainage Districts Fund and the aggregate remaining fund information thereof for the year ended June 30, 2004 in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Pocahontas County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

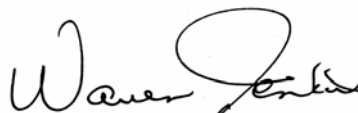
In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2005 on our consideration of Pocahontas County’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas County’s basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements for the omission of the supplies inventory, pertaining primarily to the Secondary Roads Fund. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the amount of materials and supplies inventory pertaining to the Secondary Roads Fund, a major governmental fund, at July 1, 2003, as discussed in the third paragraph, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 4, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pocahontas County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Pocahontas County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- The County's governmental fund revenues decreased approximately \$695,000 from fiscal 2003 to fiscal 2004. Property tax and other county tax increased approximately \$208,000.
- The County's governmental fund expenditures decreased approximately \$1,148,000 from fiscal 2003 to fiscal 2004. Roads and transportation expenditures decreased by approximately \$937,000 and capital projects expenditures increased approximately \$289,000.
- The County's net assets increased approximately \$4,160,000, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Pocahontas County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Pocahontas County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Pocahontas County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the E-911 Service Board, the emergency management commission and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities.

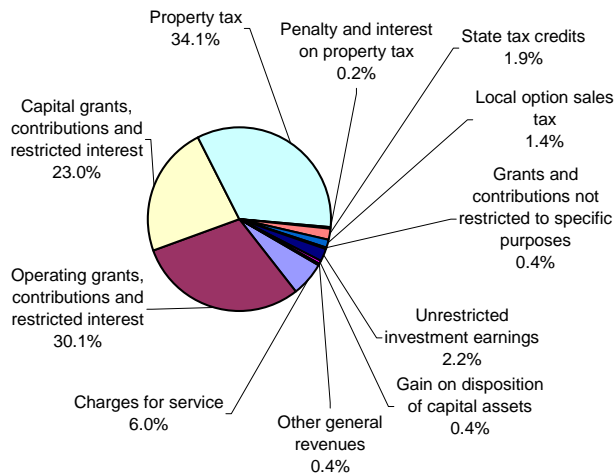
Net Assets of Governmental Activities	
	June 30, 2004
Current and other assets	\$ 12,986,007
Capital assets	7,253,546
Total assets	<u>20,239,553</u>
Long-term liabilities	978,581
Other liabilities	4,077,006
Total liabilities	<u>5,055,587</u>
Net assets:	
Invested in capital assets	7,253,546
Restricted	7,310,563
Unrestricted	<u>619,857</u>
Total net assets	<u>\$ 15,183,966</u>

Net assets of Pocahontas County's governmental activities increased by \$4.2 million, or 39%. A large portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at approximately \$620,000 at June 30, 2004.

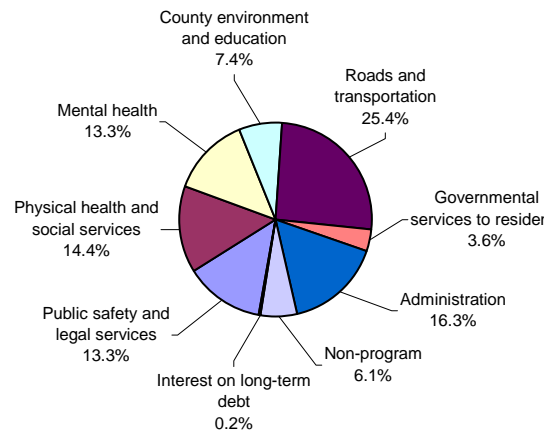
Changes in Net Assets of Governmental Activities

	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 680,602
Operating grants, contributions and restricted interest	3,435,776
Capital grants, contributions and restricted interest	2,621,000
General revenues:	
Property tax	3,890,023
Penalty and interest on property tax	18,227
State tax credits	217,423
Local option sales tax	161,200
Grants and contributions not restricted to specific purposes	43,552
Unrestricted investment earnings	249,419
Gain on disposition of capital assets	50,741
Other general revenues	48,685
Total revenues	<u>11,416,648</u>
Program expenses:	
Public safety and legal services	963,156
Physical health and social services	1,048,089
Mental health	965,158
County environment and education	539,902
Roads and transportation	1,838,885
Governmental services to residents	260,742
Administration	1,182,457
Non-program	441,317
Interest on long-term debt	17,292
Total expenses	<u>7,256,998</u>
Increase (decrease) in net assets	4,159,650
Net assets beginning of year, as restated	<u>11,024,316</u>
Net assets end of year	<u><u>\$ 15,183,966</u></u>

Revenues by Source



Expenses by Function



The County increased property tax rates for 2004 by an average of 1%. This increase raised the County's property tax revenue by approximately \$208,000 in 2004. Based on significant decreases in the total 2004 assessed valuation, FY 04-05 property tax revenue is budgeted to remain the same as FY 2004.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of \$7,986,343, an increase of approximately \$1,279,000 over FY03. The increase in fund balance is primarily attributable to increased tax revenue, coupled with a decrease in secondary road expenditures during the fiscal year. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$159,000 due to modest increases in a number of revenue sources. The ending fund balance increased \$304,352 from the prior year to \$1,262,921.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$902,000, an increase of 1% from the prior year. The Mental Health Fund balance at year ended decreased by approximately \$63,000 from the prior year.
- Rural Services Fund revenues increased by approximately \$181,000 because of an increase in property tax and other county tax. Expenditures increased by approximately \$94,000 over the prior year, due principally to law enforcement salaries and benefits charged to the fund in fiscal 2004.
- Secondary Roads Fund expenditures decreased by approximately \$702,000 from the prior year, due principally to a mild winter and fewer projects. This decrease in expenditures resulted in an increase in the Secondary Roads Fund ending balance of approximately 21%, or \$998,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pocahontas County amended its budget one time. The amendment was made in June 2004 and resulted in an increase in budgeted disbursements related to increased grant funding.

Even with this amendment, the County exceeded the budgeted amounts in the public safety and legal services and roads and transportation functions for the year ended June 30, 2004.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Pocahontas County had approximately \$7.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2,625,000, or 57 percent, over last year.

Capital Assets of Governmental Activities at Year End	
	June 30, 2004
Land	\$ 1,140,856
Buildings	706,209
Improvements other than buildings	266,410
Equipment and vehicles	2,953,018
Infrastructure	2,187,053
Total	<u>\$ 7,253,546</u>

The County had depreciation expense of \$497,287 in FY04 and total accumulated depreciation of \$4,070,028 at June 30, 2004. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2004, Pocahontas County had approximately \$780,000 in outstanding drainage warrants and drainage improvement certificates payable compared to approximately \$429,000 at June 30, 2003. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Pocahontas County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 1999-2004, averaging per year declines of 4 to 6 percent. Unemployment in the County now stands at 4.75 percent versus 4.6 percent a year ago. This compares with the State's unemployment rate of 4.8 percent and the national rate of 5.1 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.3 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$10,430,354, an increase of 3 percent over the final 2004 budget. Property tax (benefiting from the 2004 rate increase and decreases in assessed valuations) and grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this increase. Pocahontas County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$990,000 for road and bridge construction capital projects. All other areas of the budget have been reduced. The County has added no major new programs or initiatives to the 2005 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Pocahontas County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Pocahontas County Auditor's Office, 99 Court Square, Pocahontas, Iowa 50574.

Pocahontas County

Basic Financial Statements

Exhibit A

Pocahontas County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,000,049
Receivables:	
Property tax:	
Delinquent	21,936
Succeeding year	3,673,000
Interest and penalty on property tax	80,356
Accounts	90,037
Accrued interest	45,679
Drainage assessments	795,688
Due from other governments	302,282
Inventories	887,462
Prepaid insurance	89,518
Capital assets (net of accumulated depreciation)	<u>7,253,546</u>
Total assets	<u>20,239,553</u>
Liabilities	
Accounts payable	182,608
Salaries and benefits payable	133,562
Due to other governments	87,836
Deferred revenue:	
Succeeding year property tax	3,673,000
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	650,691
Compensated absences	198,622
Portion due or payable after one year:	
Drainage improvement certificates	<u>129,268</u>
Total liabilities	<u>5,055,587</u>
Net Assets	
Invested in capital assets	7,253,546
Restricted for:	
Supplemental levy purposes	326,909
Mental health purposes	372,592
Secondary roads purposes	5,619,480
Resource enhancement and protection	56,167
Other purposes	935,415
Unrestricted	<u>619,857</u>
Total net assets	<u><u>\$ 15,183,966</u></u>

See notes to financial statements.

Pocahontas County
Statement of Activities
Year ended June 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Expenses					
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 963,156	59,128	4,525	-	(899,503)
Physical health and social services	1,048,089	372,520	590,759	-	(84,810)
Mental health	965,158	-	359,591	-	(605,567)
County environment and education	539,902	78,587	41,894	-	(419,421)
Roads and transportation	1,838,885	14,425	2,438,997	2,028,085	2,642,622
Governmental services to residents	260,742	155,942	-	-	(104,800)
Administration	1,182,457	-	10	592,915	(589,532)
Non-program	441,317	-	-	-	(441,317)
Interest on long-term debt	17,292	-	-	-	(17,292)
Total	\$ 7,256,998	680,602	3,435,776	2,621,000	(519,620)
General Revenues:					
Property and other county tax levied for general purposes					3,890,023
Penalty and interest on property tax					18,227
State tax credits					217,423
Local option sales tax					161,200
Grants and contributions not restricted to specific purpose					43,552
Unrestricted investment earnings					249,419
Gain on disposition of capital assets					50,741
Miscellaneous					48,685
Total general revenues					4,679,270
Change in net assets					4,159,650
Net assets beginning of year, as restated					11,024,316
Net assets end of year					\$ 15,183,966

See notes to financial statements.

Pocahontas County

Balance Sheet
Governmental Funds

June 30, 2004

	Special		
	Mental		Rural
	General	Health	Services
Assets			
Cash and pooled investments	\$ 1,155,513	497,142	99,106
Receivables:			
Property tax:			
Delinquent	18,145	3,190	601
Succeeding year	2,329,000	410,000	934,000
Interest and penalty on property tax	80,356	-	-
Accounts	66,041	926	-
Accrued interest	45,679	-	-
Drainage assessments	-	-	-
Due from other governments	79,701	-	25,077
Inventories	25,498	-	-
Prepaid insurance	60,406	-	1,568
Total assets	\$ 3,860,339	911,258	1,060,352
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 75,680	44,565	3,100
Salaries and benefits payable	84,993	719	2,179
Due to other governments	3,449	83,382	26
Deferred revenue:			
Succeeding year property tax	2,329,000	410,000	934,000
Other	104,296	1,751	304
Total liabilities	2,597,418	540,417	939,609
Fund balances:			
Reserved for:			
Supplemental levy purposes	326,909	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Unreserved, reported in:			
General fund	936,012	-	-
Special revenue funds	-	370,841	120,743
Total fund balances	1,262,921	370,841	120,743
Total liabilities and fund balances	\$ 3,860,339	911,258	1,060,352

See notes to financial statements.

Revenue			
Secondary	Drainage		
Roads	Districts	Nonmajor	Total
4,669,090	402,576	164,418	6,987,845
-	-	-	21,936
-	-	-	3,673,000
-	-	-	80,356
18,308	-	4,762	90,037
-	-	-	45,679
-	795,688	-	795,688
197,504	-	-	302,282
861,964	-	-	887,462
27,544	-	-	89,518
5,774,410	1,198,264	169,180	12,973,803
28,113	24,721	-	176,179
45,671	-	-	133,562
979	-	-	87,836
-	-	-	3,673,000
14,844	795,688	-	916,883
89,607	820,409	-	4,987,460
-	-	-	326,909
-	26,229	-	26,229
-	-	-	936,012
5,684,803	351,626	169,180	6,697,193
5,684,803	377,855	169,180	7,986,343
5,774,410	1,198,264	169,180	12,973,803

Pocahontas County

Pocahontas County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2004

Total governmental fund balances (page 19) \$ 7,986,343

***Amounts reported for governmental activities in the Statement of Net Assets
are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$11,323,574 and the accumulated depreciation is \$4,070,028. 7,253,546

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 916,883

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 5,775

Long-term liabilities, including drainage warrants/drainage improvement certificates payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (978,581)

Net assets of governmental activities (page 16) \$ 15,183,966

See notes to financial statements.

Pocahontas County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,547,968	416,216	1,080,406	-
Interest and penalty on property tax	30,419	-	-	-
Intergovernmental	948,459	421,900	45,376	2,445,810
Licenses and permits	21,296	-	-	2,642
Charges for service	360,164	-	-	31,178
Use of money and property	172,235	-	-	2,400
Fines, forfeitures and defaults	-	-	-	17,145
Miscellaneous	67,244	926	-	-
Total revenues	4,147,785	839,042	1,125,782	2,499,175
Expenditures:				
Operating:				
Public safety and legal services	892,837	-	72,503	-
Physical health and social services	1,039,758	-	-	-
Mental health	-	902,017	-	-
County environment and education	347,078	-	219,079	-
Roads and transportation	-	-	-	2,089,357
Governmental services to residents	260,649	-	1,820	-
Administration	1,236,195	-	-	-
Non-program	16,916	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	305,231
Total expenditures	3,793,433	902,017	293,402	2,394,588
Excess (deficiency) of revenues over (under) expenditures	354,352	(62,975)	832,380	104,587
Other financing sources (uses):				
Sale of capital assets	-	-	-	18,000
Operating transfers in	-	-	-	875,000
Operating transfers out	(50,000)	-	(825,000)	-
Drainage warrants/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	(50,000)	-	(825,000)	893,000
Net change in fund balances	304,352	(62,975)	7,380	997,587
Fund balances beginning of year, as restated	958,569	433,816	113,363	4,687,216
Fund balances end of year	\$ 1,262,921	370,841	120,743	5,684,803

See notes to financial statements.

Drainage Districts	Nonmajor	Total
-	-	4,044,590
-	-	30,419
25,829	50,778	3,938,152
-	-	23,938
-	66,965	458,307
-	6,182	180,817
-	-	17,145
57,482	115	125,767
83,311	124,040	8,819,135
-	-	965,340
-	-	1,039,758
-	-	902,017
-	-	566,157
-	-	2,089,357
-	-	262,469
-	3,000	1,239,195
422,355	1,251	440,522
85,263	-	85,263
-	82,462	387,693
507,618	86,713	7,977,771
(424,307)	37,327	841,364
-	540	18,540
-	-	875,000
-	-	(875,000)
419,112	-	419,112
419,112	540	437,652
(5,195)	37,867	1,279,016
383,050	131,313	6,707,327
377,855	169,180	7,986,343

Pocahontas County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2004

Net change in fund balances - Total governmental funds (page 23)

\$ 1,279,016

***Amounts reported for governmental activities in the Statement of Activities
are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,047,840	
Capital assets contributed by the Iowa Department of Transportation	2,028,085	
Depreciation expense	(497,287)	2,578,638

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources.

46,282

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	9,854	
Other	595,985	605,839

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances exceeded repayments, as follows:

Issued	(419,112)	
Repaid	67,971	(351,141)

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

(4,712)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

5,728

Change in net assets of governmental activities (page 17)

\$ 4,159,650

See notes to financial statements.

Pocahontas County
Statement of Net Assets
Proprietary Fund
June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 12,204
Liabilities	
Accounts payable	<u>6,429</u>
Net Assets	
Unrestricted	<u><u>\$ 5,775</u></u>
See notes to financial statements.	

Exhibit H

Pocahontas County
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2004

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 60,791
Reimbursements from employees		<u>61,582</u>
Total operating revenues		<u>122,373</u>
Operating expenses:		
Medical claims	\$ 107,565	
Insurance premiums	2,616	
Administrative fees	<u>6,527</u>	<u>116,708</u>
Operating income		<u>5,665</u>
Non-operating revenues:		
Interest income		<u>63</u>
Net income		<u>5,728</u>
Net assets beginning of year		<u>47</u>
Net assets end of year		<u><u>\$ 5,775</u></u>

See notes to financial statements.

Pocahontas County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2004

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from employees and others	\$ 127,823
Cash paid for medical claims	(115,698)
Cash paid for insurance premiums	(2,616)
Cash paid for administrative fees	(6,527)
Net cash provided by operating activities	2,982
Cash flows from investing activities:	
Interest on investments	63
Net increase in cash and cash equivalents	3,045
Cash and cash equivalents beginning of year	9,159
Cash and cash equivalents end of year	\$ 12,204
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 5,665
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	5,451
(Decrease) in accounts payable	(8,134)
Net cash provided by operating activities	\$ 2,982

See notes to financial statements.

Pocahontas County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Cash and pooled investments:

County Treasurer \$ 544,366

Other County officials 1,961

Receivables:

Property tax:

Delinquent 88,574

Succeeding year 6,479,000

Accounts 11,017

Special assessments 79,243

Due from other governments 254

Total assets 7,204,415**Liabilities**

Excess of outstanding checks over cash balance 95

Accounts payable 1,372

Salaries and benefits payable 4,221

Due to other governments 7,180,576

Trusts payable 4,558

Compensated absences 13,593

Total liabilities 7,204,415**Net assets** \$ -

See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Pocahontas County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pocahontas County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Pocahontas County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred seventy-six drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Pocahontas County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Pocahontas County Auditor's Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Pocahontas County Assessor's Conference Board, Pocahontas County Emergency Management Commission, Pocahontas County Joint E911 Service Board and Pocahontas County Economic Development Commission, officially named Resources Unlimited. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Northwest Iowa Multicounty Regional Juvenile Detention Center, Pocahontas County Solid Waste Commission, Region V Hazardous Material Commission and Northwest Central Iowa Drug Task Force. In addition, the county is involved in the following jointly governed organizations: Northwest Iowa Mental Health Center, North Central Alcohol Research Foundation, Second Judicial District Department of Correctional Services and MIDAS Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Drainage Districts Fund is used to account for drainage construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represents assessments which have been made but have not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	25 - 50
Building improvements	25 - 50
Infrastructure	30 - 50
Equipment	3 - 20
Vehicles	5 - 15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety and legal services and roads and transportation functions.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Interfund Transfers

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	General	50,000
	Special Revenue: Rural Services	825,000
Total		<u>\$ 875,000</u>

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,078,801	62,055	-	1,140,856
Capital assets being depreciated:				
Buildings	1,226,738	205,181	-	1,431,919
Improvements other than buildings	496,976	-	-	496,976
Equipment and vehicles	5,684,502	566,904	(290,109)	5,961,297
Infrastructure, other	-	2,292,526	-	2,292,526
Total capital assets being depreciated	7,408,216	3,064,611	(290,109)	10,182,718
Less accumulated depreciation for:				
Buildings	701,051	24,659	-	725,710
Improvements other than buildings	214,305	16,261	-	230,566
Equipment and vehicles	2,943,035	350,894	(285,650)	3,008,279
Infrastructure, other	-	105,473	-	105,473
Total accumulated depreciation	3,858,391	497,287	(285,650)	4,070,028
Total capital assets being depreciated, net	3,549,825	2,567,324	(4,459)	6,112,690
Governmental activities capital assets, net	\$ 4,628,626	2,629,379	(4,459)	7,253,546

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 33,313
Physical health and social services	2,800
County environment and education	34,206
Roads and transportation	385,143
Governmental services to residents	41,825
Total depreciation expense - governmental activities	<u>\$ 497,287</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 3,449
Special Revenue:		
Mental Health	Services	83,382
Rural Services		26
Secondary Roads	Services	979
		<u>84,387</u>
Total for governmental funds		<u>\$ 87,836</u>
Agency:		
County Assessor	Collections	\$ 236,947
Schools		4,530,614
Community Colleges		274,522
Corporations		1,391,754
Auto License and Use Tax		148,622
All other		<u>598,117</u>
Total for agency funds		<u>\$ 7,180,576</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Drainage Warrants	Drainage Improvement Certificates	Compensated Absences	Total
Balance beginning of year, as restated	\$ 257,154	171,664	193,910	622,728
Increases	419,112	-	158,609	577,721
Decreases	44,391	23,580	153,897	221,868
Balance end of year	<u>631,875</u>	<u>148,084</u>	<u>198,622</u>	<u>978,581</u>
Due within one year	<u>\$ 631,875</u>	<u>18,816</u>	<u>198,622</u>	<u>849,313</u>

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to

contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

(7) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$160,507, \$161,147 and \$157,325, respectively, equal to the required contributions for each year.

(8) Employee Group Health

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with T.P.A., Ltd. The agreement is subject to automatic renewal provisions.

Monthly contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. These contributions represent the difference between premiums required for a higher deductible and those for a lower deductible. Payments from the Internal Service, Employee Group Health Fund are for insurance premiums, employee reimbursements of medical claims up to the individual's funded deductible and administrative costs.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2004 for incurred but not reported and reported but not paid claims have been determined by the plan administrator since the County has not obtained an actuarial opinion as required by Chapter 509A.15 of the Code of Iowa.

A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 14,563
Incurred claims (including claims incurred but not reported at June 30, 2004)	107,565
Payment on claims during the fiscal year	<u>(115,699)</u>
Unpaid claims end of year	<u>\$ 6,429</u>

(9) Risk Management

Pocahontas County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 6,670,999
GASB Interpretation 6 adjustment	<u>36,328</u>
Net assets July 1, 2003, as restated for governmental funds	6,707,327
 GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$3,858,391	4,628,626
Internal Service Fund	47
Change in long-term liabilities	(622,728)
Change in deferral of long-term assets	<u>311,044</u>
Net assets July 1, 2003, as restated	<u>\$ 11,024,316</u>

Pocahontas County

Required Supplementary Information

Pocahontas County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2004

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,058,927	-	4,058,927
Interest and penalty on property tax	18,704	-	18,704
Intergovernmental	3,920,019	25,829	3,894,190
Licenses and permits	23,325	-	23,325
Charges for service	462,844	-	462,844
Use of money and property	148,189	-	148,189
Miscellaneous	161,011	57,482	103,529
Total receipts	8,793,019	83,311	8,709,708
Disbursements:			
Public safety and legal services	973,376	-	973,376
Physical health and social services	1,066,235	-	1,066,235
Mental health	827,817	-	827,817
County environment and education	569,544	-	569,544
Roads and transportation	3,450,752	-	3,450,752
Governmental services to residents	268,997	-	268,997
Administration	1,191,032	-	1,191,032
Non-program	439,141	420,730	18,411
Debt service	85,263	85,263	-
Capital projects	82,462	-	82,462
Total disbursements	8,954,619	505,993	8,448,626
Excess (deficiency) of receipts over (under) disbursements	(161,600)	(422,682)	261,082
Other financing sources, net	424,452	419,112	5,340
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	262,852	(3,570)	266,422
Balance beginning of year	6,724,993	406,146	6,318,847
Balance end of year	\$ 6,987,845	402,576	6,585,269

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,078,568	4,078,568	(19,641)
15,450	15,450	3,254
4,079,800	4,562,532	(668,342)
21,535	21,535	1,790
235,529	246,349	216,495
128,380	130,290	17,899
19,950	35,510	68,019
8,579,212	9,090,234	(380,526)
960,099	968,599	(4,777)
1,472,912	1,478,349	412,114
1,142,000	1,142,000	314,183
569,005	587,005	17,461
3,119,700	3,119,700	(331,052)
287,652	287,652	18,655
994,227	1,301,227	110,195
19,485	19,485	1,074
-	-	-
439,500	521,500	439,038
9,004,580	9,425,517	976,891
(425,368)	(335,283)	596,365
-	-	5,340
(425,368)	(335,283)	601,705
4,578,969	5,671,443	647,404
4,153,601	5,336,160	1,249,109

Pocahontas County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,793,019	26,116	8,819,135
Expenditures	8,954,619	(976,848)	7,977,771
Net	(161,600)	1,002,964	841,364
Other financing sources, net	424,452	13,200	437,652
Beginning fund balances	6,724,993	(17,666)	6,707,327
Ending fund balances	\$ 6,987,845	998,498	7,986,343

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$420,937. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety and legal services and roads and transportation functions. Department appropriations were amended without a resolution being passed by the Board of Supervisors.

Pocahontas County

Other Supplementary Information

Pocahontas County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2004

	County Recorder's Records Management	Courthouse Security	County Recorder's Electronic Transaction Fee
Assets			
Cash and pooled investments	\$ 14,740	5,649	22,782
Account receivable	-	-	-
Total assets	\$ 14,740	5,649	22,782
Fund Equity			
Fund equity:			
Unreserved fund balances	\$ 14,740	5,649	22,782

See accompanying independent auditor's report.

Emergency Medical Services	REAP	Conservation Land Acquisition	Environmental Education Trust	Total
569	56,167	61,136	3,375	164,418
	-	4,762	-	4,762
569	56,167	65,898	3,375	169,180
569	56,167	65,898	3,375	169,180

Pocahontas County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2004

	County Recorder's Records Management	Courthouse Security	County Recorder's Electronic Transaction Fee
Revenues:			
Intergovernmental	\$ -	-	-
Charges for service	2,010	3,420	22,689
Use of money and property	170	-	93
Miscellaneous	-	-	-
Total revenues	2,180	3,420	22,782
Expenditures:			
Operating:			
Administration	3,000	-	-
Non-program	-	-	-
Capital projects	-	-	-
Total expenditures	3,000	-	-
Excess (deficiency) of revenues over (under) expenditures	(820)	3,420	22,782
Other financing sources:			
Sale of capital assets	-	-	-
Excess of revenues and other financing sources over expenditures	(820)	3,420	22,782
Fund balances beginning of year	15,560	2,229	-
Fund balances end of year	\$ 14,740	5,649	22,782

See accompanying independent auditor's report.

Emergency Medical Services	REAP	Conservation Land Acquisition	Environmental Education Trust	Total
-	8,884	41,894	-	50,778
-	-	38,179	667	66,965
-	460	5,423	36	6,182
-	-	115	-	115
-	9,344	85,611	703	124,040
-	-	-	-	3,000
-	-	-	1,251	1,251
-	-	82,462	-	82,462
-	-	82,462	1,251	86,713
-	9,344	3,149	(548)	37,327
-	-	540	-	540
-	9,344	3,689	(548)	37,867
569	46,823	62,209	3,923	131,313
569	56,167	65,898	3,375	169,180

Pocahontas County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
Assets						
Cash and pooled investments:						
County Treasurer	\$ 100	1,296	73,096	60,534	3,425	12,642
Other County officials	1,961	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	833	1,317	36,080	2,097	48,112
Succeeding year	-	107,000	169,000	4,434,000	269,000	1,331,000
Accounts	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Due from other governments	11	-	-	-	-	-
Total assets	\$ 2,072	109,129	243,413	4,530,614	274,522	1,391,754
Liabilities						
Excess of outstanding checks over cash balances	\$ 95	-	-	-	-	-
Accounts payable	-	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-	-
Due to other governments	16	109,129	236,947	4,530,614	274,522	1,391,754
Trusts payable	1,961	-	-	-	-	-
Compensated absences	-	-	6,466	-	-	-
Total liabilities	\$ 2,072	109,129	243,413	4,530,614	274,522	1,391,754

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	E911 Services Board	Resources Unlimited	Emergency Management Commission	City Special Assessment	Other	Total
2,068	148,622	131,795	53,133	53,482	1,552	2,621	544,366
-	-	-	-	-	-	-	1,961
124	-	-	-	-	-	11	88,574
168,000	-	-	-	-	-	1,000	6,479,000
-	-	11,017	-	-	-	-	11,017
-	-	-	-	-	79,243	-	79,243
-	-	-	-	243	-	-	254
170,192	148,622	142,812	53,133	53,725	80,795	3,632	7,204,415
-	-	-	-	-	-	-	95
-	-	876	247	249	-	-	1,372
-	-	-	1,951	2,270	-	-	4,221
170,192	148,622	141,936	48,105	46,909	80,795	1,035	7,180,576
-	-	-	-	-	-	2,597	4,558
-	-	-	2,830	4,297	-	-	13,593
170,192	148,622	142,812	53,133	53,725	80,795	3,632	7,204,415

Pocahontas County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
Assets and Liabilities						
Balances beginning of year	\$ 1,708	112,195	243,869	5,252,587	297,033	1,355,629
Additions:						
Property and other county tax	-	107,654	170,522	4,453,946	270,315	1,279,454
E911 surcharges	-	-	-	-	-	-
State tax credits	-	6,443	9,038	304,018	17,040	136,055
Drivers license fees	-	-	-	-	-	-
Office fees and collections	185,791	-	-	-	-	-
Electronic transaction fees	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	-	-	-	-	-	-
Miscellaneous	-	19	20,300	769	52	-
Total additions	185,791	114,116	199,860	4,758,733	287,407	1,415,509
Deductions:						
Agency remittances:						
To other funds	79,997	-	-	-	-	-
To other governments	71,345	117,182	200,316	5,480,706	309,918	1,379,384
Trusts paid out	34,085	-	-	-	-	-
Total deductions	185,427	117,182	200,316	5,480,706	309,918	1,379,384
Balances end of year	\$ 2,072	109,129	243,413	4,530,614	274,522	1,391,754

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	E911 Service Board	Resources Unlimited	Emergency Management Commission	City Special Assess- ments	Other	Total
178,561	132,584	119,980	50,568	35,752	124,514	4,379	7,909,359
168,864	-	-	(332)	-	-	860	6,451,283
-	-	49,068	-	-	-	-	49,068
9,953	-	-	-	-	-	109	482,656
-	-	-	-	-	-	55,253	55,253
-	-	-	-	-	-	-	185,791
-	-	-	-	-	-	10,046	10,046
-	1,818,540	-	-	-	-	-	1,818,540
-	-	-	-	-	(9,671)	-	(9,671)
-	-	1,192	-	-	-	42,565	43,757
-	-	-	54,683	78,820	-	97	154,740
178,817	1,818,540	50,260	54,351	78,820	(9,671)	108,930	9,241,463
-	76,958	-	-	-	-	-	156,955
187,186	1,725,544	27,428	51,786	60,847	34,048	66,567	9,712,257
-	-	-	-	-	-	43,110	77,195
187,186	1,802,502	27,428	51,786	60,847	34,048	109,677	9,946,407
170,192	148,622	142,812	53,133	53,725	80,795	3,632	7,204,415

Schedule 5

Pocahontas County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 4,044,590	3,836,490	3,205,640	2,797,167
Interest and penalty on property tax	30,419	18,412	20,227	18,964
Intergovernmental	3,938,152	4,708,608	4,463,190	5,021,258
Licenses and permits	23,938	23,898	22,516	20,870
Charges for service	458,307	364,636	337,646	290,095
Use of money and property	180,817	177,350	224,723	292,069
Fines, forfeitures and defaults	17,145	-	-	-
Miscellaneous	125,767	385,214	602,407	170,604
Total	\$ 8,819,135	9,514,608	8,876,349	8,611,027
Expenditures:				
Operating:				
Public safety and legal services	\$ 965,340	906,338	902,346	853,609
Physical health and social services	1,039,758	1,033,126	1,069,611	1,104,310
Mental health	902,017	896,475	925,865	908,824
County environment and education	566,157	614,353	644,187	599,835
Roads and transportation	2,089,357	3,001,356	2,455,997	3,028,277
Governmental services to residents	262,469	242,444	225,164	208,810
Administration	1,239,195	819,936	786,768	779,601
Non-program	440,522	469,244	246,446	15,445
Debt service	85,263	951,117	785,096	1,168,445
Capital projects	387,693	98,887	289,957	810,370
Total	\$ 7,977,771	9,033,276	8,331,437	9,477,526

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Officials of Pocahontas County:

We have audited the financial statements of Pocahontas County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 4, 2005. A qualified opinion was issued on the financial statements due to the omission of material and supplies inventory pertaining to the Secondary Roads Fund at July 1, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pocahontas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (2), (5), (10), (11) and (12).

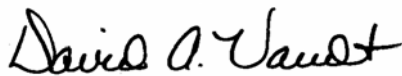
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pocahontas County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pocahontas County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in of the accompanying Schedule of Findings.

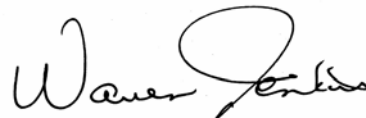
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. Prior year reportable conditions have been resolved except for items (A), (B) and (C).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pocahontas County and other parties to whom Pocahontas County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pocahontas County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 4, 2005

Pocahontas County
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Information Systems – The following weaknesses in the County’s computer based systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- ensuring only software licensed to the County is installed on computers.
- usage of the internet.
- requiring user profiles to help limit access to programs to those who have a legitimate need.
- personal use of computer equipment and software.
- requiring personnel who share the same computer terminal to log-on and log-off prior to other personnel entering transactions on the same terminal.

Also, the County does not have a written disaster recovery plan and does not require back up tapes to be stored off site daily in a fire proof vault or safe.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems. A written disaster recovery plan should be developed and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – The County will continue to work toward the development of such policies.

Conclusion – Response accepted.

- (B) Property and Equipment – Approval for disposal of property and equipment is not required. Property and equipment listings are not periodically observed by an official not having responsibility for these assets.

Recommendation – The Board of Supervisors should establish a policy which requires approval for disposal of property and equipment. To provide additional control over the proper recording of property and equipment, a physical inventory should be observed periodically and reconciled to detailed property and equipment records by a person not having custody of the assets.

Pocahontas County

Schedule of Findings

Year ended June 30, 2004

Response – The Board will establish a policy for disposal of property and equipment. The physical inventory observation will be considered.

Conclusion – Response accepted.

- (C) Time Sheets – Certain employees, other than elected officials, were not required to submit time sheets.

Recommendation – Time sheets should be submitted by all employees except elected officials. For internal control, as well as for potential legal claims (payroll dispute/grievance), time sheets provide a record of hours worked. Time sheets also provide a record and documentation of authorized absences from work (vacation, sick leave, etc.) or any other variations from the normal work week. The supervisory review and approval provides assurance the time sheet is correct.

Response – The Board will request all department administrators and employees submit completed time sheets.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in public safety and legal services and roads and transportation functions. Department appropriations were amended without a resolution being passed by the Board of Supervisors.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County Auditor will review the resolution for budget amendments to ensure the amendments have money appropriated.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2004

- (5) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Dennis Devereaux, Patrol Operator for Secondary Roads Department, brother is owner of Devereaux Electric		
Annette Devereaux, R.N. Nurses Office brother-in-law is owner of Devereaux Electric	Parts/labor	\$ 644 (a)
John Pohlman, part-time Deputy Sheriff, owner of Laurens Equip. Farm Plan	Parts	738 (a)
Linda Ferguson, Auditor's Clerk, husband is part owner of Ferguson Equipment		
Charlotte Carlsen, Sheriff's Civil Deputy, huband employed by Ferguson Equipment	Parts	2,014 (b)
Janis Hanson, County Auditor's Deputy, daughter employed by Pro Coop		
Carol McLain, County Auditor Clerk, husband is Pro Coop Board Member and Asst. Environmental Health Specialist	Parts/fuel/chemicals/ repairs/parts	63,304 (b)
Ray Wolf, Conservation Board Member, owner of Ray's Plumbing and Heating	Parts and labor	1,451 (a)
Total		<u>\$ 68,151</u>

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions designated with an (a) do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year.

The transactions designated with a (b) do not represent a conflict of interest in the opinion of the Pocahontas County Attorney.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

Pocahontas County

Schedule of Findings

Year ended June 30, 2004

- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policies were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) County Ordinances – The County Board of Supervisors has not completed a compilation of County ordinances.

Recommendation – This compilation of County ordinances should be prepared and published as required by Chapter 331.302(9) of the Code of Iowa.

Response – The County Auditor will coordinate with MIDAS to complete the Codification of ordinances.

Conclusion – Response accepted.

- (11) Cellular Phones – Expenditures were made by the County and other boards for cellular telephone service. However, written policies governing the use of cellular phones have not been adopted.

Recommendation – The Board of Supervisors and other boards in conjunction with the various Office heads should establish written policies governing the use of cellular phones.

Response – The Board will develop a policy.

Conclusion – Response accepted.

- (12) Health Insurance – The County provides employees health insurance and other benefits through partial self funding of the County's health insurance plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a fellow of the Society of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan.

Recommendation – The County should obtain an actuarial opinion, issued by a fellow of the Society of Actuaries, as required.

Response – The County Auditor is in the process of investigating the need for such an opinion. The initial response is that the County does not fit the criteria.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2004

- (13) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

- (14) Credit Cards – Credit card purchases made by certain employees for travel expenses were made in violation of the County's credit card use policy set by the Board of Supervisors.

Recommendation – The Board of Supervisors should enforce the policies established to govern credit card use. As stated in the Board minutes, the County's credit cards should only be used for purchase of parts and services to repair equipment.

Response – It is the Board's opinion that an autonomous board functions as they so chose.

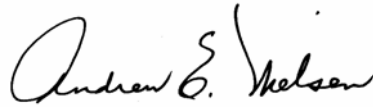
Conclusion – Response acknowledged. The Board of Supervisors should enforce or amend established credit card policies.

Pocahontas County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor
James L. Blekfeld, CPA, Senior Auditor
Kristen E. Harang, CPA, Staff Auditor
Jessica L. Christensen, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA
Deputy Auditor of State